

Audited Consolidated Financial Statements and  
Other Financial Information of

**CORPORATION OF THE TOWN  
OF PRESCOTT**

Year ended December 31, 2019

Audited Consolidated Financial Statements and Other Financial Information of

# **CORPORATION OF THE TOWN OF PRESCOTT**

Year ended December 31, 2019

## **CORPORATION OF THE TOWN OF PRESCOTT**

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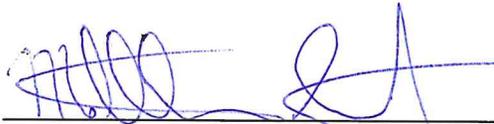
### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Corporation of the Town of Prescott (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is contained in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Matthew Armstrong, Chief Administrative  
Officer and Treasurer, Finance



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## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Prescott

### ***Opinion***

We have audited the consolidated financial statements of the Corporation of the Township of Prescott (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and accumulated municipal equity for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 5, 2020

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Financial assets:		
Cash and short-term deposits	\$ 5,060,269	\$ 4,281,274
Taxes receivable	789,311	1,008,910
User charges receivable	868,605	826,361
Accounts receivable	467,959	665,029
Inventory	21,003	22,711
Investment in Rideau St. Lawrence Holdings Inc. (note 4)	1,907,663	1,907,743
	<u>9,114,810</u>	<u>8,712,028</u>
Liabilities and deferred revenue:		
Accounts payable and accrued liabilities	1,465,723	1,998,709
Employee future benefit obligations (note 5)	34,677	35,697
Deferred revenue (note 6)	640,595	109,243
Long-term liabilities (note 7)	7,763,666	8,482,234
Temporary borrowings (note 8)	3,696,384	3,696,384
Total liabilities	<u>13,601,045</u>	<u>14,322,267</u>
Net debt	(4,486,235)	(5,610,239)
Non-financial assets:		
Tangible capital assets (note 15)	59,715,476	59,988,162
Inventories	6,108	5,707
Prepaid expenses	185,594	156,433
Total non-financial assets	<u>59,907,178</u>	<u>60,150,302</u>
Contingent liabilities (note 13)		
Commitments (note 14)		
Subsequent events (note 19)		
Accumulated municipal equity (note 9)	<u>\$ 55,420,943</u>	<u>\$ 54,540,063</u>

The accompanying notes are an integral part of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2019, with comparative information for 2018

	Budget 2019 (note 17)	Actual 2019	Actual 2018
<b>Revenue:</b>			
Property taxation	\$ 5,546,552	\$ 5,558,003	\$ 5,383,108
Taxation from other governments	343,540	350,620	355,289
User charges	3,014,974	3,032,150	3,027,649
Government grants	2,629,559	2,553,586	1,964,489
Licenses and permits	79,700	51,735	70,688
Investment income	197,100	281,874	103,924
Penalties and interest on taxes	131,000	110,790	130,992
Provincial offenses	28,069	35,188	33,660
Other	440,896	466,055	536,626
Net equity increase in investment in Rideau St. Lawrence Holdings Inc. (note 4)	55,400	55,167	51,584
<b>Total revenue</b>	<b>12,466,790</b>	<b>12,495,168</b>	<b>11,658,009</b>
<b>Expenses (note 16):</b>			
General government	1,189,654	1,215,182	1,406,970
Protection to persons and property	2,021,639	1,978,260	1,815,998
Transportation services	2,549,291	2,554,806	1,856,826
Environmental services	3,154,925	3,408,931	3,249,575
Health services	353,471	464,148	434,337
Social and family services	816,588	656,613	683,403
Recreation and culture services	1,339,584	1,250,591	1,889,425
Planning and development	580,345	611,589	503,410
<b>Total expenses</b>	<b>12,005,497</b>	<b>12,140,120</b>	<b>11,839,944</b>
<b>Annual operating surplus (deficit)</b>	<b>461,293</b>	<b>355,048</b>	<b>(181,935)</b>
<b>Other:</b>			
Grants and transfers related to capital:			
Deferred revenues earned	–	18,542	265,106
Government transfers	–	362,657	831,481
Other	155,000	144,633	–
	155,000	525,832	1,096,587
<b>Annual surplus</b>	<b>616,293</b>	<b>880,880</b>	<b>914,652</b>
<b>Accumulated municipal equity, beginning of year</b>	<b>54,540,063</b>	<b>54,540,063</b>	<b>53,625,411</b>
<b>Accumulated municipal equity, end of year (note 9)</b>	<b>\$ 55,156,356</b>	<b>\$ 55,420,943</b>	<b>\$ 54,540,063</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 17)	2019	2018
Annual surplus	\$ 616,293	\$ 880,880	\$ 914,652
Acquisition of tangible capital assets	(928,000)	(1,668,161)	(5,386,279)
Amortization of tangible capital assets	1,940,866	1,940,847	1,721,593
Net proceeds of disposition of tangible capital assets	—	—	4,750
Acquisition of prepaid expenses	—	(29,161)	4,480
Change in inventories of supplies	—	(401)	(190)
Change in net debt	1,629,159	1,124,004	(2,740,994)
Net debt, beginning of year	(5,610,239)	(5,610,239)	(2,869,245)
Net debt, end of year	\$ (3,981,080)	\$ (4,486,235)	\$ (5,610,239)

The accompanying notes are an integral part of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

## Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating activities:		
Annual surplus	\$ 880,880	\$ 914,652
Item not involving cash:		
Amortization of tangible capital assets	1,940,847	1,721,593
Change in non-cash operating working capital:		
Decrease (increase) in taxes receivable	219,599	(142,001)
Decrease (increase) in user charges receivable	(42,244)	73,371
Decrease in accounts receivable	197,070	742,823
Decrease in inventories	1,708	2,545
Decrease in accounts payable and accrued liabilities	(532,986)	(210,648)
Increase employee future benefits obligations	(1,020)	(22,476)
Increase (decrease) in deferred revenue	531,352	(268,741)
Increase (decrease) in prepaid expenses	(29,161)	4,480
Increase in inventory not for resale	(401)	(190)
	343,917	179,163
Net change in cash from operations	3,165,644	2,815,408
Capital activities:		
Acquisition of tangible capital assets	(1,668,161)	(5,386,279)
Net proceeds of disposal of capital assets	—	4,750
	(1,668,161)	(5,381,529)
Investing activities:		
Decrease in investment in Rideau St. Lawrence Holdings Inc.	80	3,663
Financing activities:		
Debt principal repayments	(833,728)	(788,768)
Proceeds from long-term debt	115,160	3,696,384
	(718,568)	2,907,616
Increase in cash and short-term deposits	778,995	345,158
Cash and short-term deposits, beginning of year	4,281,274	3,936,116
Cash and short-term deposits, end of year	\$ 5,060,269	\$ 4,281,274

The accompanying notes are an integral part of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

## Notes to Consolidated Financial Statements

Year ended December 31, 2019

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The Corporation of the Town of Prescott (the "Town") was incorporated in 1834 and assumed its responsibilities as a police village. The Town operates as a single tier government in the United Counties of Leeds and Grenville, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

### 1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Town of Prescott (the "Town") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Public Library Board  
Business Improvement Area Committee  
Cemetery Board

(ii) Investment in Rideau St. Lawrence Holdings Inc.:

The investment in Rideau St. Lawrence Holdings Inc. ("RSL") is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards. Under the modified equity basis, the business enterprises accounting principles are not adjusted to conform to those of the Town and inter-organizational transactions and balance are not eliminated. The Town recognizes its equity interest in the annual income or loss of RSL in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends the Town may receive from RSL will be reflected as reductions in the investment asset account.

(iii) Accounting for School Board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

(b) Basis of accounting:

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	40
Buildings	15 to 60
Machinery and equipment	5 to 20
Vehicles	5 to 20
Linear assets:	
Roads	15 to 40
Bridges	15 to 40
Sidewalks	10 to 15
Water distribution	50 to 80
Wastewater collection	80
Storm sewer collection	80

Amortization is charged in the year following the year of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$10,000 to \$50,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (c) Tangible capital assets (continued):

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

### (d) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### (e) Inventories and prepaid expenses:

Inventories and prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

### (f) Pension and employee benefits:

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Town's policy.

### (g) Cash and short-term deposits:

The Town considers cash and short-term deposits to be highly liquid investments with original maturities of three months or less.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (h) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

### (i) Deferred revenue:

The Town receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

### (j) Deferred revenue - obligatory reserve funds:

The Town receives restricted contributions under the authority of provincial legislation and Municipal by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenses, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

### (k) Investments:

Investments are recorded at cost plus accrued interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available current funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (l) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Town:
  - is directly responsible; or
  - accepts responsibility;
- (iv) it is expected that future economic benefit will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

### (m) Property taxation:

The Town recognizes property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the consolidated statement of operations and accumulated municipal equity.

### (n) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 2. Operations of school boards:

During 2019, the Town collected and made property tax transfers including payments in lieu of property taxes, to the School Boards as follows:

	2019	2018
Property taxes	\$ 1,126,593	\$ 1,177,096
Amounts requisitioned and paid	\$ 1,126,593	\$ 1,177,096

## 3. Bank indebtedness:

The Town's financial agreement with its bank provides for an operating credit facility of up to \$1,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the Bank of Montreal's prime rate. As at December 31, 2019, there was \$Nil (2018 - \$Nil) drawn on the facility.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 4. Investment in Rideau St. Lawrence Holdings Inc.:

Rideau St. Lawrence Holdings Inc. ("RSL"), a government business enterprise, is accounted for on the modified equity basis by the Town for its proportionate share of ownership. The Town owns approximately 34.53% (2018 - 34.53%) of RSL. The principal business of RSL is to distribute electric power to four communities including the Town.

The following tables present condensed supplementary financial information for the Town's investment in RSL for the year ended December 31.

	2019	2018
<b>Financial Position</b>		
Current assets	\$ 1,519,014	\$ 1,503,880
Capital assets	2,763,689	2,709,712
Net regulatory assets	54,137	65,372
	4,336,840	4,278,964
Current liabilities	2,172,956	2,018,734
Long-term debt	256,221	352,487
	2,429,177	2,371,221
<b>Net assets</b>	<b>\$ 1,907,663</b>	<b>\$ 1,907,743</b>
Share capital	\$ 1,184,486	\$ 1,184,486
Accumulated earnings	727,133	724,681
Accumulated other comprehensive loss	(3,956)	(1,424)
<b>Investment in Government Business Enterprises</b>	<b>\$ 1,907,663</b>	<b>\$ 1,907,743</b>
	2019	2018
<b>Results of Operations</b>		
Revenue	\$ 5,653,764	\$ 5,367,221
Operating expenses	(5,596,065)	(5,312,308)
Net earnings	57,699	54,913
Dividends paid during the year	(55,247)	(55,247)
	2,452	(334)
Accumulated earnings, beginning of year	724,681	725,015
<b>Accumulated earnings, end of year</b>	<b>\$ 727,133</b>	<b>\$ 724,681</b>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 5. Employee future benefit obligations:

The Town provides life insurance premiums to employees who were previously employed by Prescott Public Utilities Commission. Beginning in 2006, the accrued benefit obligation has been recognized using a present value approach with a discount rate of 3%.

At December 31, 2019 the Town's accrued benefit liability for life insurance benefits is estimated at \$34,677 (2018 - \$35,697).

## 6. Deferred revenue:

A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balance in the obligatory reserve fund of the Town are:

	2019	2018
Balance, beginning of year	\$ 109,243	\$ 377,984
Revenue:		
Contributions from developers	1,490	5,866
Contributions Other	287,162	3,417
Federal Gas Tax Funding	534,141	–
	822,793	9,283
Utilization:		
Transfers for capital	(291,441)	(265,106)
Transfers for administrative costs	–	(12,918)
Balance, end of year	\$ 640,595	\$ 109,243

Analyzed as follows:

	2019	2018
Development charges	\$ 88,774	\$ 105,826
Federal Gas Tax	261,242	–
Other	290,579	3,417
Balance, end of year	\$ 640,595	\$ 109,243

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 7. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	2019	2018
Fixed rate bank loan with maturity date in 2021 and interest rate of 2.6%	\$ 408,808	\$ 726,304
Ontario Project Infrastructure Corporation with maturity dates between 2023 and 2047 and interest rates between 3.260% and 5.606%	7,105,845	7,559,256
Royal Bank of Canada, maturity 2023, 0% interest	249,013	196,674
	<u>\$ 7,763,666</u>	<u>\$ 8,482,234</u>

- (b) Principal payments are due as follows:

	Principal	Interest	Total
2020	\$ 865,782	\$ 324,959	\$ 1,190,741
2021	645,461	295,998	941,459
2022	586,141	271,994	858,135
2023	558,542	247,214	805,756
2024	523,753	222,903	746,656
2025 and thereafter	4,583,987	1,562,557	6,146,544
	<u>\$ 7,763,666</u>	<u>\$ 2,925,625</u>	<u>\$ 10,689,291</u>

- (c) Interest expense on long term liabilities in 2019 amounted to \$348,702 (2018 - \$378,017).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

## 8. Temporary borrowings:

The Town has construction loans through the Ontario Infrastructure and Lands Corporation ("OILC") to finance the construction of fire hall replacement to a maximum value of \$5,000,000. The monthly interest payments on funds advanced will be based on a floating rate per annum as determined by OILC throughout the term of the loan until they are replaced by a debenture. Repayment terms of principal and interest will be determined upon completion of the capital project. At December 31, 2019, \$3,696,384 (2018 - \$3,696,384) of the facility was outstanding. Subsequent to year-end this temporary borrowing was converted to amortizing debentures (note 19(a)).

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 9. Municipal equity:

	2019	2018
Investment in tangible capital assets:		
Tangible capital assets	\$ 59,715,476	\$ 59,988,162
Long-term liabilities	(11,460,050)	(12,178,618)
	48,255,426	47,809,544
Unexpended Capital Financing (Unfinanced Capital) Projects:		
Road infrastructure	(617,253)	(617,253)
Industrial park	(287,568)	(287,568)
Fire hall	(291,779)	(393,369)
Public works addition	(237,114)	(237,114)
Streetlights	(617,065)	(617,065)
Arena renovations	(80,453)	(315,453)
New arena	(215,354)	(45,152)
Reserves set aside for specific purposes by Council:		
For operating expenses:		
Working capital	880,000	880,000
Business improvement	35,942	22,777
Elections	6,923	2,723
	922,865	905,500
For operating expenses:		
Fiscal policy	170,637	327,551
General government	18,561	1,236
Infrastructure	164,169	54,102
Municipal modernization	591,400	-
Protection services	150,411	204,272
Transportation services	23,510	27,722
Health services	4,170	22,678
Recreation and cultural	129,583	193,453
Library	35,481	34,979
Museum	81,010	63,012
Cemetery	16,135	7,795
Planning and development	152,990	180,273
Water and sewer	5,143,518	5,313,177
	6,681,575	6,430,250
Total reserves	7,604,440	7,335,750
Investment in Government Business Enterprises (note 4)	1,907,663	1,907,743
Total accumulated municipal equity	\$ 55,420,943	\$ 54,540,063

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 10. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 27 members of its staff (2018 - 28). As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit).

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current service in 2019 was \$174,635 (2018 - \$183,912) and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

## 11. Trust funds:

Trust funds administered by the Town amounting to \$112,511 (2018 - \$105,946) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

## 12. Provincial Offences Administration (POA):

The United Counties of Leeds and Grenville has assumed the administration of the Provincial Offences office for all County of Leeds and Grenville resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor License Act, Municipal Bylaws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town's share of net revenues arising from operation of the POA office has been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and 111 (including delay penalties) for POA charges filed in the County court.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 12. Provincial Offences Administration (POA) (continued):

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Corporation of the Town of Prescott shares net POA revenues based on weighted assessment.

## 13. Contingent liabilities:

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2019, management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.
- (b) In 1997, the Town assumed ownership of property that was identified as being contaminated. Phase I and Phase II environmental assessments have been carried out with a conclusion that the land was contaminated beyond a minimally acceptable level. A further assessment was carried out, including soil sampling, which revealed that the contamination did not present an immediate risk to human health or the environment. Based upon existing environmental regulations, the Town would be required to remediate this land subject to future development. The cost of such remediation is unknown. As at December 31, 2019, the Town has no plans to develop this land. Due to the uncertainty surrounding the timing and nature of the remediation, no liability has been recognized in the Town's consolidated financial statements.
- (c) The Town is contingently liable under a letter of credit issued by its bankers in regard to the requirement from the Town's agreement with the Canadian Actors' Equity Association. The aggregate borrowing is up to \$46,500.

As at December 31, 2019, there is no amount outstanding under the facility.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 14. Commitments:

- (a) The Town has entered into an agreement with Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The contract provides for a management fee for each plant plus the operating and capital costs of the two plants. The management fee is adjusted for inflation on an annual basis. The contract was renewed effective December 1, 2018. Payments for the water treatment plant were \$367,159 (2018 - \$388,400). Payments for the sewage treatment plant were \$601,527 (2018 - \$482,780).
- (b) The Town has negotiated a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract expired December 2019. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. During the year, the contract costs were \$1,159,212 (2018 - \$1,152,288).
- (c) The Town has negotiated a contract for waste collection with Limerick Environmental which expired February 2020. Fees are based on the residential household count and are adjusted annually for inflation. During the year, the contract costs were \$111,428 (2018 - \$98,736).
- (d) The Town has negotiated a contract for waste disposal with Lafleche Environmental Inc. which expired May 2020. The annual costs are based on tonnage and adjusted annually for inflation. During the year, the contract costs were \$32,492 (2018 - \$36,837).
- (e) The Town has negotiated a contract for the collection and disposal of recycled materials, with Limerick Environmental, which expired February 2020. Fees are based on population count and area adjusted annually for inflation. During the year, the contract costs were \$70,591 (2018 - \$70,490).
- (f) The Town has committed funding to the Eastern Ontario Wardens Caucus Broadband Project in the amount of \$13,981 per year for the period 2015 to 2023.
- (g) The estimated commitment to complete construction-in-progress and major equipment purchases at December 31, 2019 is approximately \$Nil (2018 - \$35,020).

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 15. Tangible capital assets:

Cost	Balance at December 31, 2018	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2019
Land	\$ 936,030	\$ 473,567	\$ -	\$ 1,409,597
Land improvements	3,285,011	-	-	3,285,011
Buildings	37,376,450	4,322,706	(239,090)	41,460,066
Machinery and equipment	3,542,225	226,751	(11,600)	3,757,376
Vehicles	2,397,804	103,919	-	2,501,723
Linear assets	18,706,975	825,231	-	19,532,206
Sewer infrastructure	6,771,408	-	-	6,771,408
Water infrastructure	6,478,808	-	-	6,478,808
Construction-in-progress	5,396,462	1,472,268	(5,756,281)	1,112,449
<b>Total</b>	<b>\$ 84,891,173</b>	<b>\$ 7,424,442</b>	<b>\$ (6,006,971)</b>	<b>\$ 86,308,644</b>

Accumulated amortization	Balance at December 31, 2018	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2019
Land improvements	\$ 183,971	\$ 84,081	\$ -	\$ 268,052
Buildings	10,784,518	876,975	(239,090)	11,422,403
Machinery and equipment	1,769,796	275,449	(11,600)	2,033,645
Vehicles	1,522,641	133,119	-	1,655,760
Linear assets	6,465,514	373,810	-	6,839,324
Sewer infrastructure	2,096,705	99,665	-	2,196,370
Water infrastructure	2,079,866	97,748	-	2,177,614
<b>Total</b>	<b>\$ 24,903,011</b>	<b>\$ 1,940,847</b>	<b>\$ (250,690)</b>	<b>\$ 26,593,168</b>

	Net book value December 31, 2018	Net book value December 31, 2019
Land	\$ 936,030	\$ 1,409,597
Land improvements	3,101,040	3,016,959
Buildings	26,591,932	30,037,663
Machinery and equipment	1,772,429	1,723,731
Vehicles	875,163	845,963
Linear assets	12,241,461	12,692,882
Sewer infrastructure	4,674,703	4,575,038
Water infrastructure	4,398,942	4,301,194
Construction-in-progress	5,396,462	1,112,449
<b>Total</b>	<b>\$ 59,988,162</b>	<b>\$ 59,715,476</b>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## **16. Segmented information:**

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of financial activities.

Departments have been separately disclosed in the segmented information, along with the service they provide, and are set out in the schedule below.

For each reported segment, expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 16. Segmented information (continued):

	General Government	Environmental Services	Protection to Persons and Property	Health Services	Social and Family Services	Transportation Services	Recreation and Cultural Services	Planning & Development	Total
<b>Revenue</b>									
<b>Taxation</b>									
Taxation comm and indust	\$ 1,510,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,510,949
Taxation other governments	350,620	-	-	-	-	-	-	-	350,620
Taxation residential	4,047,054	-	-	-	-	-	-	-	4,047,054
<b>User charges</b>									
Environmental	-	2,732,439	-	-	-	-	-	-	2,732,439
Marina	-	-	-	-	-	-	198,362	-	198,362
Other	3,520	-	49,875	-	12,918	2,619	3,005	-	71,937
Recreation and culture	-	-	-	-	-	-	29,412	-	29,412
Government transfers	2,142,500	36,469	47,928	-	135,057	175,220	12,755	3,657	2,553,586
Investment income	281,874	-	-	-	-	-	-	-	281,874
Licenses and permits	14,080	-	34,175	-	-	3,480	-	-	51,735
Net income Rideau St. Law rence	55,167	-	-	-	-	-	-	-	55,167
Other	35,531	155,843	8,554	35,543	-	60	156,778	73,746	466,055
Penalties and interest on taxes	110,790	-	-	-	-	-	-	-	110,790
Provincial offenses	-	-	35,188	-	-	-	-	-	35,188
<b>Other</b>									
Capital deferred income	-	-	18,542	-	-	-	-	-	18,542
Capital government transfers	-	-	-	-	-	362,657	-	-	362,657
Capital other	-	-	-	-	-	-	144,633	-	144,633
<b>Total revenue</b>	<b>8,552,085</b>	<b>2,924,751</b>	<b>194,262</b>	<b>35,543</b>	<b>147,975</b>	<b>544,036</b>	<b>544,945</b>	<b>77,403</b>	<b>13,021,000</b>
<b>Expenses</b>									
Salaries and wages	578,224	343,319	308,316	-	73,315	1,186,601	383,698	215,334	3,088,807
Operating materials and services	539,001	2,056,426	1,434,074	291,058	521,025	898,587	548,177	396,255	6,684,603
External transfers to other	-	-	-	77,161	-	-	-	-	77,161
Debenture interest	-	212,742	10,689	-	62,273	10,865	52,133	-	348,702
Amortization	97,957	796,444	225,181	95,929	-	458,753	266,583	-	1,940,847
<b>Total expenses</b>	<b>1,215,182</b>	<b>3,408,931</b>	<b>1,978,260</b>	<b>464,148</b>	<b>656,613</b>	<b>2,554,806</b>	<b>1,250,591</b>	<b>611,589</b>	<b>12,140,120</b>
<b>Excess of revenue over expenses</b>									
(expenses over revenue) before taxation	\$ 7,336,903	\$ (484,180)	\$ (1,783,998)	\$ (428,605)	\$ (508,638)	\$ (2,010,770)	\$ (705,646)	\$ (534,186)	\$ 880,880

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 17. Budget figures:

Budget figures reported on the Consolidated Statement of Operations are based on the 2019 municipal and other local board operating budgets as approved by Council on April 23, 2019.

Approved budget figures also include council approved budget estimates for Public Sector Accounting Board (PSAB) reporting requirements. The chart below reconciles the approved Town operating budgets and PSAB budget estimates to the total consolidated budget figures as reported on the Consolidated Statement of Operations and Accumulated Municipal Equity.

	Budget 2019
<b>Operational budget</b>	
Revenue:	
Cash budget approved by Council	\$ 12,680,711
Less: Transfer from reserves	(60,000)
Less: Library funding consolidation	(153,921)
	<u>\$ 12,466,790</u>
Expenses:	
Cash budget approved by Council	\$ 12,680,711
Less: Transfers to reserves	(1,912,182)
Less: Library funding upon consolidation	(153,921)
Less: Principal payments	(834,405)
Add: Operational Projects	295,000
Add: Amortization expense	1,940,866
Less: Capitalization of books budget	(10,572)
	<u>\$ 12,005,497</u>
	<u>Budget 2019</u>
<b>Capital budget</b>	
Revenue – Government Transfers	
Revenue budget passed by Council	\$ 155,000
Revenue applicable to 2019	<u>\$ 155,000</u>

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 17. Budget figures (continued):

	Budget 2019
<b>Capital Purchases</b>	
Government transfers budget passed by Council	\$ 928,000
Purchases applicable to 2019	\$ 928,000

## 18. Adoption of new accounting policies:

Effective January 1, 2019, the Town adopted Canadian public sector accounting standard PS3430 Restructuring transactions. The adoption of these standards did not result in an accounting policy change for the Town, and did not result in any adjustments to the consolidated financial statements as at January 1, 2019.

## 19. Subsequent events:

- a) On April 1, 2020, the Town converted its temporary borrowing into amortizing debentures with the Ontario Infrastructure and Lands Corporation (OILC). These funds will be directed towards the cost of the Fire hall and to repay the existing temporary borrowing balance of \$3,696,384. The total principal balance of \$4,000,000 matures on April 1, 2050, is unsecured, bears interest at 1.97% per annum, and is payable in monthly installments of combined equal principal of \$11,111 plus diminishing interest amounts..
- b) Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these consolidated financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.
  - Temporary closure of administrative facilities and phased reopening in limited capacities based on provincial health guidelines
  - Optional working from home requirements for staff able to do so
  - Deferrals of property tax billings, along with zero increases in property tax and water and wastewater rates from 2019
  - Expected decline in certain revenues such as user fees for recreational facilities, interest and investment income

# CORPORATION OF THE TOWN OF PRESCOTT

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## **19. Subsequent events (continued):**

Staff will continue to support municipal organizations in lobbying upper levels of government for assistance for municipalities in recovering from the COVID-19 pandemic.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

# CORPORATION OF THE TOWN OF PRESCOTT

Schedule A: Business Improvement Area Committee

## Statement of Revenue and Expenses and Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Taxation	\$ 29,000	\$ 29,000
User charges	–	113
	<u>29,000</u>	<u>29,113</u>
Expenses:		
Contracted services	5,850	21,568
Advertising and promotion	8,684	8,700
Investment attraction strategy	–	10,125
Downtown	–	4,763
Supplies	300	1,227
Special events	1,000	2,220
	<u>15,834</u>	<u>48,603</u>
Excess of revenue over expenses (expenses over revenue)	13,166	(19,490)
Surplus, beginning of year	22,777	42,267
Surplus, end of year	<u>\$ 35,943</u>	<u>\$ 22,777</u>